



Republic of the Philippines  
Department of Agriculture  
**SUGAR REGULATORY ADMINISTRATION**  
Sugar Center Bldg., North Ave., Diliman, Quezon City  
Philippines 1101  
TIN 000-784-336



MEMO-ADM-2018-May-009

**FOR :** MILAGROS C. PANGILINAN  
State Auditor IV  
COA SRA-Quezon City

**FROM :** HERMENEGILDO R. SERAFICA  
SRA Administrator

**DATE :** May 07, 2018

**SUBJECT :** SRA MATRIX OF MANAGEMENT ACTION  
ON COA AUDIT OBSERVATION (AOM)  
FOR CY 2017

*ms. Ricafort / 5/21/18*  
*ms. Arce /*  
*ms. Arce /*  
*For your reference*  
*and strict*  
*Compliance*  
*of the actions*  
*to be taken*  
*by SRA.*

This respectfully submits the SRA Management's comments/actions to all COA Audit Observation Memorandums (AOMs) for CY 2017.

We earnestly hope that SRA has fully covered the AOMs that COA has issued.

SUGAR REGULATORY ADMINISTRATION  
**Matrix of Management Action on COA Audit Observation for CY 2017**

OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT COMMENTS
<p><b>FINANCIAL</b></p> <p>1. The Financial Statements of the Sugar Regulatory Administration (SRA) and their accompanying Notes for CY 2017 are not fully compliant with the Philippine Public Sector Accounting Standards (PPSAS) as required by COA Circular Nos. 2015-003 and 2017-004 dated April 16, 2015 and December 31, 2017, respectively.</p> <p>a. Non-preparation of the Opening Statement of Financial Position as at January 1, 2016 ( date of adoption of PPSAS).</p> <p>b. Non-disclosure of the following necessary information as a result of the first time adoption of the PPSAS;</p> <p>(1) The effects of the changes in the accounting policies/estimates for all accounts as a result of the first time adoption of the PPSAS shall be disclosed, and information and explanations about how the transition from the previous basis of accounting to PPSAS affected its reported financial position, and, where appropriate, its reported financial performance and cash flows.</p> <p>(2) The date of adoption of PPSAS</p> <p>c. Incomplete disclosure on the accounts as required by PPSAS;</p> <p>d. No disclosures on the PPSASs which have effect on the current period or any prior period; would have such an effect, except that it is impracticable to determine the amount of the adjustment; or might have an effect on</p>	<p>We recommend that Management direct the Accounting Division to:</p> <p>a. Fully comply with PPSAS 33 (First-Time Adoption of Accrual Basis PPSASs) by preparing the Opening Statement of Financial Position and the required reconciliations and disclosures that provide explanation on how the transition from previous basis of accounting to PPSASs affected its reported financial position, financial performance, and cash flows for CYs 2017 and 2016.</p> <p>b. Revise the Statements of Financial Position, Statements of Financial Performance, including the accompanying Notes to Financial Statements CYs 2017 and 2016 in order to comply with COA Circular No. 2017-004 dated December 13, 2017 and relevant PPSASs provisions</p>	<p>1. The Accounting Division/Units of both SRA – Quezon City and Bacolod City Office will revisit and revise the Financial Statements of the Sugar Regulatory Administration (SRA) and its accompanying Notes for CY 2017, if indeed found not in full compliance with the Philippine Public Sector Accounting Standards (PPSAS) as required by COA Circular Nos. 2015-003 and 2017-004 dated April 16, 2015 and December 13, 2017, respectively.</p> <p>2. It is found necessary that Accounting Personnel particularly those in-charge in the preparation of the financial statements shall undergo the training as conducted by COA Central Office on the Philippine Public Sector Accounting Standards (PPSAS) specifically COA Circular No. 2017-004 dated December 13, 2017. This is a recent issuance of PPSAS Circular, policies, rules and regulations wherein SRA's Accounting Personnel have not yet undergone the orientation and familiarization of the said PPSAS COA Circular. Thus, they (Accounting Personnel) failed to adopt and implement the said provisions of COA Circular No. 2017-004.</p>



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<p>future periods, as result of its initial application.</p> <p>e. SRA did not present a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the statement of financial position, as required by paragraph 56 of PPSAS 2 Cash Flow Statements.</p>							
<p>This is a reiteration of prior years' observation with updates.</p> <p><b>2. The existence, accuracy and completeness of the Property Plant and Equipment (PPE) account balance with carrying value of P255.341 million as at December 31, 2017 could not be relied upon due to:</b></p> <p>PPE-Head Office - carrying amount P140. 785</p> <ul style="list-style-type: none"> <li>non reconciliation of discrepancies between the balances of the General Ledgers (GLs) with the balances of Subsidiary Ledgers (SLs) - P139.179 million. (GL P271.905 million and SL P132.726 million) Land P62.958 million no SL</li> <li>GL and the Report on the Physical Count of PPE (RPCPPE) of and PS.231 million, respectively; GL - 271.905 million and RPCPPE 272.476 million</li> </ul> <p>Motor vehicle GL - P18.238 million; RPCPPE P21.032 million (unrecorded motor vehicle), or a difference of P2.794</p> <ul style="list-style-type: none"> <li>unserviceable properties totalling <b>P14.810</b> million were not derecognized due to the absence of Inventory and Inspection Report for Unserviceable Property (IIRUP)</li> </ul> <p>PPSAS 17 requires that the carrying amount of item of property,</p>	<p>We recommended that Management require the Accounting Division (AD) HO :</p> <ol style="list-style-type: none"> <li>Maintain PPELC in the prescribed format and analyze reconcile the GL with the PPELC (SL) balances and then with the RPCPPE to ensure the existence and completeness of the recorded PPE;</li> <li>Consider preparing PPELC based on the RPCPPE since the PCPPE confirmed the actual quantity of PPE accounted and reconcile this with Property Card maintained by the Property Section and provide the costing based on accounting records and make the necessary adjustments in the books to reflect a reliable PPE balance with consideration on the accountability of SRA officers on the identified missing PPE, if any;</li> <li>Determine the accountability of the concerned employee over the missing PPE to take appropriate action to collect there placement amount of the said asset;</li> <li>AD-HO to prepare IIRUP as basis to derecognized the unserviceable assets as required in PPSAS 16; and</li> </ol>	<table border="1"> <thead> <tr> <th data-bbox="1447 592 1635 671">Audit Recommendations</th> <th data-bbox="1635 592 2184 671">SRA Management Actions/Justifications</th> </tr> </thead> <tbody> <tr> <td data-bbox="1447 671 1635 1362"> <p><i>Prepare reconciliation report, exert best efforts to analyse the differences/discrepancies in the accounting records.</i></p> </td> <td data-bbox="1635 671 2184 1362"> <ol style="list-style-type: none"> <li>This is a recurring audit finding/observation for the past 30 years of SRA.</li> <li>The irreconcilable PPE accounts rose when the defunct PHILSUGIN, SQA and PHILSUCOM were reorganized and became SRA in 1986 where there was no physical inventories being conducted by the Property Officers and Accounting Officers back then. All they had to do was just carried forward whatever the balances in the PPE account in the PHILSUGIN, SQA, PHILSUCOM books of accounts to SRA books. There were PPE records in the Accounting Division which did not have the appropriate supporting documents/papers which were supposed to be in the custody of the Property Division. Poor property management and records as well as the maintenance of the individual PPE subsidiary ledger were not properly maintained and were already incomplete during those years. The change or replacement of Property Officers due to resignation or retirement of the incumbent was inevitable, the transfers of the responsibility and the PPE records from predecessors to their</li> </ol> </td> </tr> </tbody> </table>	Audit Recommendations	SRA Management Actions/Justifications	<p><i>Prepare reconciliation report, exert best efforts to analyse the differences/discrepancies in the accounting records.</i></p>	<ol style="list-style-type: none"> <li>This is a recurring audit finding/observation for the past 30 years of SRA.</li> <li>The irreconcilable PPE accounts rose when the defunct PHILSUGIN, SQA and PHILSUCOM were reorganized and became SRA in 1986 where there was no physical inventories being conducted by the Property Officers and Accounting Officers back then. All they had to do was just carried forward whatever the balances in the PPE account in the PHILSUGIN, SQA, PHILSUCOM books of accounts to SRA books. There were PPE records in the Accounting Division which did not have the appropriate supporting documents/papers which were supposed to be in the custody of the Property Division. Poor property management and records as well as the maintenance of the individual PPE subsidiary ledger were not properly maintained and were already incomplete during those years. The change or replacement of Property Officers due to resignation or retirement of the incumbent was inevitable, the transfers of the responsibility and the PPE records from predecessors to their</li> </ol>	
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<p>plant and equipment shall be derecognized: (a) on disposal; or (b) when no future economic benefits are expected from its use or disposal.</p> <p>Section 40.d. of GAM states that: <i>All unserviceable property shall be reported in the Inventory and Inspection Report of Unserviceable Property (1/RUP). PPE reported in the IIRUP shall be dropped from the books by debiting Impairment Loss-Property, Plant and Equipment (cost of the PPE less Accumulated Depreciation</i></p> <p>According to Management, the unreconciled difference had emanated way back in the 1970s to 1990s where the defunct Philippine Sugar Institute (PHILSUGIN) and Sugar Quota Administration (SQA) were merged into Philippine Sugar Commission (PHILSUCOM), then re-organized as SRA in CY 1986. There were no records and/or reports to show that an actual inventory of PPE had been conducted prior to the merger and re-organizations. Thus, the book balances of the PPE of the said merged Agencies were plainly forwarded to the new set of books of accounts of the SRA.</p> <p>Management should have the following subsidiary records that would support the GL balance and should be reconciled:</p> <ul style="list-style-type: none"> <li>• Property Card this card shall be used by the Supply and/or Property Division/Unit to record the description, acquisition, transfer, disposal, and other information about the PPE</li> <li>• PPELC - Property, Plant and Equipment Ledger Card shall be used for each class of PPE to record the acquisition, description, custody, estimated life, depreciation, impairment, disposal, transfer/adjustment, repair history and other information about the property.</li> </ul>		<p>successors were not efficiently and soundly organized and incomplete.</p> <p>3. On a year-on-year basis, SRA is trying its best efforts to reconcile the said differences/discrepancies in the PPE accounts. Undeniably, the recurring problems encountered by the analyst were similar to the previous years where there were no available records, documents and papers to refer to and as bases in terms of PPE existence for almost 55 years in the books of accounts.</p> <p>4. Despite of the foregoing limitations and impossibilities, and in the exercise of due diligence, SRA has continuously researching and looking for some 5-decade PPE records/documents/papers to retrieve that will substantiate and support the existence of the PPE accounts.</p> <p><i>Submit complete RPCPPE pertaining to SRA Visayas to the Audit Team to substantiate the existence, accuracy and completeness of the accounting records and property records.</i></p> <p>Through a Memorandum, management will instruct the Head of the Property and Procurement Section of SRA- Visayas to submit the complete RPCPPE for the year 2017 to the COA audit team.</p>



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<p>The RCPPE should also be reconciled with the Property Card and PPELC</p> <p>The SL maintained by SRA does not conform to the format of Property, Plant and Equipment Ledger Card (PPELC) as required by Government Accounting Manual (Appendix 70), as it does not reflect the reference or property number in which the items in the RCPPE can be cross-referred to.</p>		<p><i>Prepare IIRUP for all unserviceable properties.</i></p> <ol style="list-style-type: none"> <li>1. Through a Memorandum, management will instruct the Head of the Property and Procurement Section to prepare IIRUP for all unserviceable properties.</li> <li>2. Though, the initiative of the Property and Procurement Section in the preparation of IIRUP for all unserviceable properties is continuously being done, however, the difficulties and problems in the gathering of supporting documents and papers to substantiate the accuracy and completeness of PPEs existence and balances were still the blocks and hindrances in the delay of the preparation, reconciliation and submission.</li> </ol>
		<p><i>Require the Legal Department to continuously coordinate with concerned CSC officials to come up with an agreement by specifying the terms and conditions on the use and occupancy of lot in Quezon City.</i></p> <ol style="list-style-type: none"> <li>1. Through a Memorandum, management will require the Legal Department to continuously coordinate with concerned CSC officials to come up with an agreement by specifying the terms and conditions on the use and occupancy of lot in Quezon City.</li> <li>2. Last year and up to now, the Legal Department is regularly and religiously coordinating its actions and efforts with the concerned CSC officials; however, the latter has refused and disagreed persistently as to execution the required agreement. The Legal Department of CSC asserted that the matter will be referred to NHA and DPWH.</li> </ol>
		<p><i>Conduct inventory and survey of all parcels of land owned by SRA, update the RCPPE, and prepare necessary adjustments in the</i></p> <ol style="list-style-type: none"> <li>1. These audit findings and observations were already brought up last year's (2016) COA AOMs.</li> <li>2. SRA was receptive with the foregoing audit findings and observations. In fact, SRA had provided a specific budget for the hiring or procurement of services of an independent or third party appraisers and surveyors.</li> <li>3. It was later found out that the procurement of an</li> </ol>

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		<p><i>property records.</i></p> <p>independent appraiser and surveyor shall be done separately. It cannot be of one and the same person or company. Hence, the procurement of such services was derailed and re-programmed and re-budgeted in the 2018.</p> <p>4. For this year, the conduct of inventory, survey and appraisal of all parcels of land owned by SRA will be the top priority of the Property and Procurement Section.</p> <hr/> <p><i>Secure copies of Tax Declarations (TDs) of all parcels of land from the Office of the Assessor.</i></p> <p>Through a Memorandum, management will instruct the Legal Department and the Property and Procurement Section to secure copies of Tax Declarations (TDs) of all parcels of land from the Office of the Assessor.</p> <hr/> <p><i>Expedite the hiring of an Independent Appraiser to appraise and determine the fair value of all SRA's land as covered by the Terms of Reference.</i></p> <p>1. This year, the procurement of the services of the Independent Surveyor will be the top priority of SRA.          2. Once all the lots/lands were properly surveyed, the immediate procurement of the services of an Independent Appraiser in order to appraise and determine the fair value of all SRA's land as covered by the Terms of Reference shall take place.</p> <hr/> <p><i>Direct SRA Visayas to request from DENR the issuance of Special Patent to ensure SRA's</i></p> <p>Through a Memorandum, management will instruct the Legal Department and the Property and Procurement Section – SRA Visayas to request from DENR the issuance of Special Patent to ensure SRA's ownership.</p>



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		<p><i>ownership.</i></p> <p><i>Require the Accounting Division of SRA HO and Visayas to prepare the necessary adjustments in the books of accounts to take up the unrecorded parcels of land in La Carlota, Negros Occidental.</i></p> <ol style="list-style-type: none"> <li>1. Through a Memorandum, management will require the Accounting Division- SRA Visayas to prepare the necessary adjustments in the books of accounts to take up the unrecorded parcels of land in La Carlota, Negros Occidental.</li> <li>2. Once the accounting adjustments were done in SRA Visayas financial reports, all these will be taken in consolidated financial reports of the entire SRA.</li> </ol> <p><i>Instruct the General Administrative Division to reconcile the discrepancy in the land areas, house and lots packages and lots constructed or developed pertaining to Sugartowne Homes socialized housing project.</i></p> <ol style="list-style-type: none"> <li>1. Review, analysis and reconciliation of the land areas, house and lots packages and lots constructed or developed pertaining to Sugartowne Homes socialized housing project were already done last year.</li> <li>2. Because of this reiterated audit finding/observation, the General Administrative Division will revisit the last year's reconciled records of the housing project.</li> </ol> <p><i>Fast track negotiation with the National Government Center</i></p> <ol style="list-style-type: none"> <li>1. SRA is consistently negotiating with NHA to fast track the payment of the 242 lots sold to the latter.</li> <li>2. NHA has replied to our demand – collection letter where it mentioned that the payment for the said lots is still for the approval of the DBM and</li> </ol>

ORY ADMINISTRATION  
ent Action on COA Audit Observation for CY 2017

OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT COMMENTS
		<p><i>Housing and Development Project (NGCHDP), National Housing Authority (NHA) for the sale of the unsold lots occupied by the informal settlers, to generate funds for SRA operations.</i></p> <p>Congress as it will be incorporated in the NHA's annual corporate operating budget.</p> <hr/> <p><i>Instruct the Accounting Division to prepare the necessary adjustment to reclassify the recorded 41 road lots pertaining to Sugartowne Homes socialized housing project from Land Account to Investment Property Account.</i></p> <p>1. The Accounting Division will prepare the necessary adjustment to reclassify the recorded 41 road lots pertaining to Sugartowne Homes socialized housing project from Land Account to Investment Property Account.</p>



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<p>This is a reiteration of the previous years' observation with updates</p> <p><b>3. The accuracy and completeness of the year-end balance of the Land account totalling P70.352 million is not reliable due to:</b></p> <ul style="list-style-type: none"> <li>• Unreconciled differences of 276 sq meter in land area of the property located in Batasan Hills, Quezon City indicated in the TCT with the RPCPPE,</li> <li>• Unaccounted difference in area of land per TCT of 2,584,494 square meters against the area of land covered by Tax Declaration of 106,769 square meters for the land located at Floridablanca, Pampanga with book value of P110,938</li> <li>• Recording of 14 unsold road lots with total costs of P10.470 million pertaining to "SugartowneHomes" socialized housing project to Land account instead of Investment Property account and recording of 27 sold road lots with total costs of P43.270 million on the same project under the Land account in spite of the absence of control and ownership thereto.</li> </ul> <p>Since SRA has no control and rights over the sold road lots, these should not be recognized in the books.</p> <ul style="list-style-type: none"> <li>• Idle lands with an area of 210,082 sq meters held for undetermined future use amounting to 7.317 million were recorded as Property, Plant and Equipment In SRA-</li> </ul>	<p>We recommended that Management require the:</p> <ol style="list-style-type: none"> <li>a. General Administrative Division, SRA HO to conduct survey of all parcels of land owned by the SRA, and update the RPCPPE;</li> <li>b. Accounting Division HO and SRA Visayas to reconcile the accounting record with the updated RPCPPE based on actual survey;</li> <li>c. GAD Hire an Independent Appraiser to appraise and determine the value of all SRA's land as basis of recording;</li> <li>d. The Legal Department to take appropriate action to apply for the correction of entry relative to the area reflected in the TCT if difference still exist from the results of actual survey;</li> <li>e. General Administrative Division to secure copies of the Tax Declaration of all parcels of land owned by the SRA to ensure that SRA has proof of ownership on its properties and that SRA has no tax delinquency relative to payment of real property tax;</li> <li>f. Accounting Division-HO to revisit the recording of the land in Florida Blanca Pampanga in the amount of P110,938, and make the necessary adjusting entry to reflect the actual land owned by SRA with an area of 2,584,494 square meters in PPE account if it is used in operations otherwise in Investment in Property account;</li> <li>g. Accounting Division-HO to correct the entry made</li> </ol>	<table border="1"> <thead> <tr> <th data-bbox="1442 553 1639 631">Audit Recommendations</th> <th data-bbox="1639 553 2190 631">SRA Management Actions/Justifications</th> </tr> </thead> <tbody> <tr> <td data-bbox="1442 631 1639 1055"> <p><i>Require the Legal Department to continuously coordinate with concerned CSC officials to come up with an agreement by specifying the terms and conditions on the use and occupancy of lot in Quezon City.</i></p> </td> <td data-bbox="1639 631 2190 1055"> <ol style="list-style-type: none"> <li>1. Through a Memorandum, management will require the Legal Department to continuously coordinate with concerned CSC officials to come up with an agreement by specifying the terms and conditions on the use and occupancy of lot in Quezon City.</li> <li>2. Last year and up to now, the Legal Department is regularly and religiously coordinating its actions and efforts with the concerned CSC officials; however, the latter has refused and disagreed persistently as to execution the required agreement. The Legal Department of CSC asserted that the matter will be referred to NHA and DPWH.</li> </ol> </td> </tr> <tr> <td data-bbox="1442 1055 1639 1348"> <p><i>Conduct inventory and survey of all parcels of land owned by SRA, update the RPCPPE, and prepare necessary adjustments in the property records.</i></p> </td> <td data-bbox="1639 1055 2190 1348"> <ol style="list-style-type: none"> <li>1. These audit findings and observations were already brought up last year's (2016) COA AOMs.</li> <li>2. 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<p>Visayas instead of Investment Property</p> <ul style="list-style-type: none"> <li>Non-recording of the 2 parcels of land with area of 976,332 square meter in La Carlota, Negros granted to the then PHILSUGIN under Presidential Proclamation No. 421 due to the absence of Special Patent to be issued by the DENR.</li> </ul> <p>Notwithstanding the issue of legal instrument, parcels of land in Carlota Negros should have been recognized in the books of accounts since these have been controlled by SRA pursuant to PP No. 421 and have economic benefits as well as their fair value can be measured reliably. These conditions met the criteria of recognizing assets prescribed in PPSAS 16.</p>	<p>to record the Land in the amount of 54.239 million by (a) reclassifying the recorded Land in the amount of P10.969 million pertaining to the 14 road lots of the unsold Sugartowne Homes lots to Investment in Property and (b) cancelling the recorded amount of 27 lots in the amount of 43.270 million pertaining to sold lots packages since SRA did not have control and ownership on these road lots.</p> <p>h. The Accounting Division-SRA Visayas to record the 976,332 square meter in La Carlota, Negros Occidental at fair value;</p> <p>i. The SRA Visayas Management to exert all effort to comply with the DENR requirements relative to the issuance of Special Patent covering the lot in La Carlota, Negros Occidental</p>		<p>person or company. Hence, the procurement of such services was derailed and re-programmed and re-budgeted in the 2018.</p> <p>4. For this year, the conduct of inventory, survey and appraisal of all parcels of land owned by SRA will be the top priority of the Property and Procurement Section.</p>
		<p><i>Secure copies of Tax Declarations (TDs) of all parcels of land from the Office of the Assessor.</i></p>	<p>Through a Memorandum, management will instruct the Legal Department and the Property and Procurement Section to secure copies of Tax Declarations (TDs) of all parcels of land from the Office of the Assessor.</p>
		<p><i>Expedite the hiring of an Independent Appraiser to appraise and determine the fair value of all SRA's land as covered by the Terms of Reference.</i></p>	<p>1. This year, the procurement of the services of the Independent Surveyor will be the top priority of SRA.</p> <p>2. Once all the lots/lands were properly surveyed, the immediate procurement of the services of an Independent Appraiser in order to appraise and determine the fair value of all SRA's land as covered by the Terms of Reference shall take place.</p>
		<p><i>Direct SRA Visayas to request from DENR the issuance of Special Patent to ensure SRA's ownership.</i></p>	<p>Through a Memorandum, management will instruct the Legal Department and the Property and Procurement Section – SRA Visayas to request from DENR the issuance of Special Patent to ensure SRA's ownership.</p>
<p><i>Require the Accounting Division</i></p>	<p>1. Through a Memorandum, management will require the Accounting Division- SRA Visayas to</p>		



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		<p><i>of SRA HO and Visayas to prepare the necessary adjustments in the books of accounts to take up the unrecorded parcels of land in La Carlota, Negros Occidental.</i></p> <p>prepare the necessary adjustments in the books of accounts to take up the unrecorded parcels of land in La Carlota, Negros Occidental.</p> <p>2. Once the accounting adjustments were done in SRA Visayas financial reports, all these will be taken in consolidated financial reports of the entire SRA.</p> <hr/> <p><i>Instruct the General Administrative Division to reconcile the discrepancy in the land areas, house and lots packages and lots constructed or developed pertaining to Sugartowne Homes socialized housing project.</i></p> <p>1. Review, analysis and reconciliation of the land areas, house and lots packages and lots constructed or developed pertaining to Sugartowne Homes socialized housing project were already done last year.</p> <p>2. Because of this reiterated audit finding/observation, the General Administrative Division will revisit the last year's reconciled records of the housing project.</p> <hr/> <p><i>Instruct the Accounting Division to prepare the necessary adjustment to reclassify the recorded 41 road lots pertaining to</i></p> <p>1. The Accounting Division will prepare the necessary adjustment to reclassify the recorded 41 road lots pertaining to Sugartowne Homes socialized housing project from Land Account to Investment Property Account.</p>

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		<p><i>Sugartowne Homes socialized housing project from Land Account to Investment Property Account.</i></p>				
<p>Reiteration of previous year's observation</p> <p>4. The unsold 242 residential lots, one commercial lot together with the 14 road lots with total area of 31.304 sq. meter with total book balance of P29.302 million intended for house and lot packages are already occupied by informal settlers which resulted in lower selling prices, thereby depriving SRA of maximum income it could have generated from sale of the lots.</p> <ul style="list-style-type: none"> <li>The lots were fully occupied by informal settlers prior to the development of Sugartowne Homes. The informal settlers have objected and filed case against SRA which is currently pending with the regular Courts, hence, the full development of the housing project was not pursued.</li> </ul> <p>Management had negotiations to sell the 242 lots to NHA which would facilitate the transfer of the lots to the informal settlers. The SRA Governing Board in its Resolution No. 2016-038, set the value of the lots at P1,000 per sq. m. or for a total price of P18.768 million, for purposes of payment of just compensation under Republic Act (RA) No. 7279 or the "Urban Development and Housing Act of 1992." On March 28, 2016, the Assistant Manager, National Government Center Housing and Development Project (NGCHDP,) NHA made a counter-offer of</p>	<p>Fast track the negotiation with the NGCHDP, NHA for the sale of the unsold lots occupied by the informal settlers</p>	<table border="1"> <thead> <tr> <th data-bbox="1442 671 1648 751">Audit Recommendations</th> <th data-bbox="1648 671 2192 751">SRA Management Actions/Justifications</th> </tr> </thead> <tbody> <tr> <td data-bbox="1442 751 1648 1246"> <p><i>Fast track negotiation with the National Government Center Housing and Development Project (NGCHDP), National Housing Authority (NHA) for the sale of the unsold lots occupied by the informal settlers, to generate funds for SRA operations.</i></p> </td> <td data-bbox="1648 751 2192 1246"> <ol style="list-style-type: none"> <li>SRA is consistently negotiating with NHA to fast track the payment of the 242 lots sold to the latter.</li> <li>NHA has replied to our demand – collection letter where it mentioned that the payment for the said lots is still for the approval of the DBM and Congress as it will be incorporated in the NHA's annual corporate operating budget.</li> </ol> </td> </tr> </tbody> </table>	Audit Recommendations	SRA Management Actions/Justifications	<p><i>Fast track negotiation with the National Government Center Housing and Development Project (NGCHDP), National Housing Authority (NHA) for the sale of the unsold lots occupied by the informal settlers, to generate funds for SRA operations.</i></p>	<ol style="list-style-type: none"> <li>SRA is consistently negotiating with NHA to fast track the payment of the 242 lots sold to the latter.</li> <li>NHA has replied to our demand – collection letter where it mentioned that the payment for the said lots is still for the approval of the DBM and Congress as it will be incorporated in the NHA's annual corporate operating budget.</li> </ol>
Audit Recommendations	SRA Management Actions/Justifications					
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<p>P700 per sq. m. The SRA Governing Board, however, denied the said counter-offer in its Resolution No. 2016-90. In his letter dated July 18, 2016, the Assistant Manager, NGCHDP, NHA accepted the offer of P1,000 per sq. m. which was approved by the SRA Governing Board in its Resolution No. 2016-208, provided that 30 lots will be reserved for SRA employees.</p>		
<p>There is a difference of 2,659 square meters between the total land area intended to be developed as indicated in the Joint Venture Agreement with NHA and RI/ Builders, Inc. of 121,929 sq meter with the total area actually developed of 119,270 square meter, as reported in the Inventory/ Masterlist of house and lot packages and lots</p>	<p>Instruct the general Administrative Division to reconcile the discrepancy in the land areas, house and lots packages and land constructed and developed between the JVA and Masterlist of actual developed.</p>	
<p><b>PERFORMANCE</b></p> <p>5. The implementation of the Block Farm Program (BFP) with appropriation of P324.697 million and P300.000 million for FYs 2016 and 2017, respectively incurred considerable delay as the fund utilization amounted only to P9.780 million in Head Office P54.786 million in SRA-Visayas as of December 31, 2017 depriving the block farms beneficiaries of improved sugarcane productivity through provision of farm inputs, capability training and common service facilities. Moreover no monitoring reports were prepared for the implementation of Projects and revalidation report for the 21 BFs covered by CY 2017 budget was not submitted by the Technical Personnel to the focal person.</p>	<p>We recommended that Management:</p> <p>a. Coordinate with DSWD as to the accreditation requirements under COA-DBM-DSWD Joint Resolution No 2014-001 that requires approval from DSWD before Block Farms/CSOs could qualify as implementers of government programs/projects using government or public funds to extend assistance to the BFs in order to facilitate accreditation of its enrollees in the said Program if the SRA will continue the transfer of start-up fund to BFs; otherwise</p> <p>b. If SRA would adopt the current mode, in which the start-up capital would be provided in kind,</p>	<p>Implementation of the CY 2016 Block Farm Program was delayed because the release of the fund to SRA was delayed due to the election ban coupled with the CSO accreditation with DSWD, a requirement for the transfer of fund to CSOs pursuant to the general provision of the 2016 GAA. The CY 2016 BF fund was released in August 2016. Preparatory work in profiling the BF enrollees, validating the enrolled farms, GIS mapping of the farms, gathering soils samples and have these analyzed, orientation of the block farm prospective enrollees, accreditation of the BFs and finally preparation and signing of the individual MOAs with the BFs were all time-consuming and needed a lot of manpower with technical knowhow to do the legworks.</p> <p>Best efforts were done by the SRA personnel in the ground to gather and assist the accreditation of the block farms with DSWD through the assistance of hired</p>



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<ul style="list-style-type: none"> <li>• Analysis of disbursements in SRA HO and Visayas of the program as of December 31, 2017 for the implementation of BFP for the two batches of BFs disclosed that expenses incurred in the total amount of P24.552 million pertained only to activities related to accreditation and preparation of BFs (capacity training) to implement the said Program which includes salaries of technical personnel, office supplies, travel expense and training expenses.</li> <li>• The release of start-up capital/grant by SRA to the BFs for procurement of farm inputs, tractor and hauling services with budgeted amount of P129.356 million for the two batches of accredited BFs in year CY 2016 to CY 2017 was not made due to delay in the accreditation of BFs by DSWD to qualify as a Civil Society Organization to implement programs or projects using government or public funds.</li> <li>• The release of start-up capital/grant by SRA to the BFs for procurement of farm inputs, tractor and hauling services with budgeted amount of P129.356 million for the two batches of accredited BFs in year CY 2016 to CY 2017 was not made due to delay in the accreditation of BFs by DSWD to qualify as a Civil Society Organization to implement programs or projects using government or public funds.</li> </ul> <p>COA-DBM-DSWD Joint Resolution No. 2014-001 dated December 29, 2014</p> <p>Only CSOs duly accredited by the DSWD may participate in the process conducted by GAs to select CSOs to implement programs or projects using government funds</p>	<p>consider enhancing the guidelines to effect the change the mode of the provision of start-up capital from fund transfer to provision in kind or in the form of farm inputs.</p> <ul style="list-style-type: none"> <li>c. Act with dispatch in resolving the existing issues/problems on the procurement of fertilizer, tractor services • and farm equipment that are currently hampering/delaying the implementation of the project;</li> <li>d. Henceforth, conduct regular monitoring, review and evaluation of the 46 BFs based on the WFP for CY 2018 and require the personnel concerned to timely submit the required monitoring reports of project implementation;</li> <li>e. Fast track the delivery of the interventions to the Block Farms to met the target per Work Financial Plan as reprogram in CY 2018 to ensure that the accredited Block Farms are able to receive the benefits on time.</li> </ul>	<p>technical personnel. Thus, most of the expenses incurred were due to training expenses of the BFs and salaries/transportation expenses of SRA permanent and hired technical personnel.</p> <ul style="list-style-type: none"> <li>a. In 2016, SRA technical personnel assisted the BFs in gathering the documents required by DSWD. Because of the documentary requirements that need to be submitted to DSWD, the BFs especially the new ones, could hardly met the requirements, despite all the difficulties, SRA was able to submit some of the applications to DSWD provincial offices. Due to the bulk of requirements, not all applications were submitted on time and only one of the BFs was accredited. There may be some limitations also on the part of DSWD to process the applications due to other projects at hand which need immediate attention. In 2017, the DSWD stopped the accreditation of BFs because it is no longer required under the 2017 GAA wherein the implementing agency, in this case SRA, was required to accredit the implementing or beneficiary CSOs.</li> <li>b. Thus, SRA adopted the provision of assistance to the BFs in kind which undergone the procurement process under RA 9184 or the procurement law. SRA Management through the focal person of the Block Farm Program will review the Block Farm Guidelines to include the provision of intervention / start-up capital in kind.</li> <li>c. Because of the geographical locations of the various block farm beneficiaries which are scattered in the various sugarcane-producing provinces, failure of bidding especially on tractor services and fertilizers were encountered. So, the SRA BAC consulted the GPPB on the matter and was advised to bid out the fertilizers by lot. The lots were assigned by province because prices and delivery costs vary by province. Timing of tractor services and cost of tractor services also vary from BF to BF and mill district to mill district, so these are procured individually to fast track the implementation. The fertilizers were already delivered during the first quarter of CY 2018 although bidding failed for the two remote provinces of Cagayan and Camarines Sur. Rebidding of fertilizers is scheduled for these two areas.</li> </ul>



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<p>These guidelines cover CSOs that would be engaged by GAs to implement or co-implement projects and programs using government or public funds</p> <p>These guidelines cover only the accreditation of CSOs. The selection of CSOs by GAs, the actual transfer of funds from GAs to CSOs or the liquidation or audit of transferred funds shall be subject of separate Guidelines</p> <ul style="list-style-type: none"> <li>Management informed that only one of the 25 BFs covered by the CY 2016 budget was accredited by the DSWD, hence, they could not transfer the start-up fund/grant to the BFs. Instead, the SRA initiated procurement of fertilizers and tractor services requirements of the BFs in CY 2017.</li> </ul> <p><i>Status of Procurement</i></p> <ul style="list-style-type: none"> <li>To date public bidding was only conducted pertaining to the procurement of fertilizers with total ABC of P9.50 million way behind the planned activity of completing the bidding process in June 2017 for the procurement of fertilizer with ABC of P15.508 million.</li> <li>Public bidding which should have been conducted in September to December 2016 for the procurement of tractor and tractor implements with budgeted amount of P91.150 million was only conducted for 25 tractors with an ABC of 73.75 million in September 13, 2017.</li> <li>The Audit Team has not yet received an update on the awarding of the contract for the procurement of fertilizers where public bidding had already been conducted.</li> <li>Evaluation of the quotations from supplier of tractor</li> </ul>		<p>d. The preparatory activities and procurement of farm machineries were also delayed for the CY 2017 batch of BFs as a domino effect to the delayed implementation of the CY 2016 BFs. SRA has limitations when it comes to organic personnel because of its impending filling up of positions under the strengthened structure and the hired technical personnel have to service and assist the needs of the two batches of block farms accredited in CY 2016 and 2017. This also explains some delays in the submission of monitoring reports due to the legworks done on the ground to catch up with the implementation of the two batches of BFs. The BFs are several kilometers farther apart even within a certain sugarcane mill district and travelling is a challenge especially in remote areas. The Special Projects and Project Evaluation and Monitoring Team of the Planning, Policy and Special.</p> <p>Projects Department will develop a Monitoring and Evaluation (M &amp; E) System for the Block Farm Program and will revalidate the reports submitted by the Technical Personnel. SRA Management will also require the Technical Personnel to submit regularly the bimonthly monitoring reports of the status of the block farms and the interventions being provided.</p> <p>SRA is catching up to implement interventions for the three batches of block farms (CY 2016, CY 2017 &amp; CY 2018) currently implemented in 2018. The bidding process of the various farm equipment and supplies will be fast tracked pursuant to the rules and regulations provided under the procurement law or RA 9184</p>

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<p>services for the land preparation with an ABC of 4.541 million made by SRA intended for five mill districts disclosed that no supplier can efficiently and timely served the block farm, hence, award of the contract was not made.</p> <ul style="list-style-type: none"> <li>• In view of the delay in the provision of farm inputs, farm equipment, common facilities services, the Technical Experts in Head Office who were paid in the total amount of P7.998 million had consumed 18.054 per cent of the total budgeted amount to supervise and monitor the BFs while the activities that supposedly be monitored by the BF has not yet started. This condition would result to additional expenses for the provision of salaries to Technical Experts to complete the supervision and monitoring activities.</li> <li>• Accomplishment Report for the implementation of the Block Farm in SRA Visaya were not yet submitted to the SIDA PMO, hence the Audit Team could not report what was accomplished for the expenses incurred in the amount of P54.86 million.</li> <li>• Despite repeated request for the submission of the Revalidation Reports, the Audit Team only received the reports of the 25 BFs enrolled in CY 2016 on April 2018. To date, the Revalidation Reports of the additional 21BFs enrolled in CY 2017 were not yet submitted to the Audit Team, thus precluding review of the eligibilities of the said BFs as beneficiaries of the said Program.</li> <li>• The revalidation report will show the result of the SRA's conduct of farm needs and assessment of the Block Farm which determine the necessary interventions that are needed by the Block Farm to increase its productivity</li> </ul>		



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<p>and/or reduce its production cost. This report shall serve as basis of the kind of interventions that will be provided by SRA to facilitate the provision thereof through other concerned government agencies.</p> <p>The unavailability to date of the Reports that will show the revalidation made in early part of CY 2017, which is almost a year after the activity was done, indicated inadequate monitoring by the Management.</p> <p>Further, there was no clear cut policy for Monitoring the Project implementation that would ensure that reports are prepared and submitted on time to the higher level of management apprise them of the status/condition of the implementation of the program such that corrective measures could be made to efficiently carried out the implementation of the Project.</p> <p>The Monitoring Reports that are required to be submitted by the Technical personnel per Contract of Service on bi- monthly basis were also not available.</p>		
<p>6. Socialized Credit Program with budgeted amount of P324.697 million and P300.00 million in CYs 2016 and 2017 were not yet implemented after 2 years the SIDA Act was enacted due to delay in the finalization of the Implementing Rules and Regulations of the Socialized Credit Facility and inability of the farmers to comply with the required documentary requirements to support their loan application, hence no loans was granted to support sugarcane farmers' acquisition of production inputs, farms machineries/equipment and implements. Moreover, documents supporting the transfer of fund of P324. 697 million to LBP was not complete as the integral part of the</p>	<p>We recommended that Management:</p> <ol style="list-style-type: none"> <li>a. Devise guidelines that would cover the monitoring of the implementation of the project such as: (a) submission of monitoring reports that would provide the status of implementation of the project to the Planning and Policy Department (SIDA PMO) (b) evaluation by the PD of the reports such that issues/problem hampering the attainment of the target would be address on a timely manner.</li> <li>b. Assess the documentary requirements to</li> </ol>	<p>The delay of the finalization of the IRR of the SCF was due to the disagreement between LBP and SRA on the interest rate of the credit facility which started during the previous SRA Administrator. The agreement on the interest rate of the SCF has been firmed up when the current Administrator and the Board Member representing the sugar mills sat down with Senator Cynthia Villar and the President of Landbank.</p> <p>A Socialized Credit Committee was created by SRA to fast track the implementation of the SCF headed by the Board Member representing the sugar mills. The SRA and LBP Management conducted an orientation with the SRA Mill District Officers (MDOs) who facilitated and initially screened the loan applications before submitting to the LBP lending centers in the provinces. The MDOs started</p>



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<p>MOA which are the IRR was not yet completed and Annex B -schedule of release of fund was lacking.</p> <table border="1" data-bbox="286 451 853 675"> <thead> <tr> <th>Particulars</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Approval of RA 10659 (SIDA)</td> <td>March 27, 2015</td> </tr> <tr> <td>IRR of RA 10659</td> <td>August, 2015</td> </tr> <tr> <td>MOA between SRA and LBP</td> <td>December 23, 2016</td> </tr> <tr> <td>Release of funds to LBP</td> <td>May 11, 2017</td> </tr> <tr> <td>Joint Memorandum Circular No. 1, series of 2018 (IRR of SCP)</td> <td>January 23, 2018</td> </tr> </tbody> </table> <p>Section 2, Article II of the Memorandum of Agreement (MOA) between SRA and Landbank states that: An Implementing Rules and Regulations (IRR) shall be signed by all parties which will govern the implementation of the SCF, and shall form as an integral part of this MOA view of the provisions in the MOA.</p> <p>Section 2 of Article III of the MOA states that: The budget for the SCF shall be released in accordance with the attached "Schedule of Releases and outputs (Appendix B) which shall likewise form an integral part of this Agreement."</p> <p>However, copy of the MOA kept by Management do not have the Appendix B, hence, it indicated that SRA did not consult the Appendix B to determine whether the release of fund to LBP was in accordance with MOA.</p> <p><i>Targets were not met</i></p> <p>Per FY 2016 Work Financial Plan 4,040 loan application in the amount of P324.697 million is targeted to have been processed and granted as at December 31, 2016.</p>	Particulars	Date	Approval of RA 10659 (SIDA)	March 27, 2015	IRR of RA 10659	August, 2015	MOA between SRA and LBP	December 23, 2016	Release of funds to LBP	May 11, 2017	Joint Memorandum Circular No. 1, series of 2018 (IRR of SCP)	January 23, 2018	<p>determine the probability of farmers' compliance to them and assist them to secure such documents, otherwise, consider revising the documentary requirements such that documents could be secured by the farmers to ensure that he is a bonafide beneficiary of the loan and had the capacity to pay the loan.</p> <p>c. Ensure compliance with P.O. 1445 to support all disbursements with complete documents and submit the lacking Appendix B of the MOA.</p>	<p>receiving and screening applications in April 2018. SRA facilitated the conduct of financial literacy trainings for the sugarcane farmers in coordination with the Agricultural Training Institute (ATI) of the Department of Agriculture and is currently working on a Trainers' training for the SRA MDOs and Technical Personnel to hasten the provision of Certificates of Financial Literacy Training to the applicants which is a requirement of LBP.</p> <p>a. An SRA Guideline for the implementation of the SCF is now under preparation and for Sugar Board approval. The monitoring reports will be submitted by the SRA Technical personnel and MDOs. The reports will be validated by the project evaluation and monitoring team of the Planning, Policy &amp; Special Projects Department (PPSPD).</p> <p>b. The MDOs to be assisted by hired technical personnel assessed the applications and documentary requirements prior to submission to the LBP lending centers in the provinces. The MDOs and Technical Personnel of each sugarcane mill districts will distribute the application forms to interested farms / applicants. Final screening and credit investigation will be done by LBP as the expert in lending and in charge of loan approval and releases. SRA will obtain from LBP the monthly roster of beneficiaries who were approved under the SCF including payment updates.</p> <p>c. SRA will ensure, through the Administrative and Finance Department, the disbursement of the fund by LBP prior to subsequent releases. The PPSPD will assist the Finance Department in evaluating the liquidation documents submitted by LBP. The IRR of the SCF was initially prepared and finalized by LBP and the Appendix B of the MOA will be secured from LBP. SRA will follow up with LBP a copy of Appendix B which was inadvertently omitted in the attachment of the MOA and will submit such document to COA.</p>
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<p>While for FY 2017 budget 300 loan applications in the amount of P300.000 million have been processed and granted by the end of November 2017.</p> <p>Despite the approval of the IRR in January 2018, loan application of the farmers were only accepted on March 2018 and to date no loan was indorsed by SRA to Land Bank.</p> <p>Per inquiry with the focal person handling the socialized credit program disclosed that there were no reports submitted by the Mill Districts, who processed the applications of loans, relative to the accomplishment, feed- back on the processing of loan since there are no guidelines that require the submission of feed-back/monitoring report. What was required was the submission of report relative to the loan application indorsed to LBP.</p> <p>According to the focal person the delay of the processing of loan was due to difficulty in complying with the documentary requirements.</p> <p>Focal persons of the projects were under the supervision of the Planning and Policy Department who acts at the Project Management Office.</p>		
<p><b>COMPLIANCE</b></p> <p>7. The hiring of Individual Consultant for the "Formulation of Disaster Risk Reduction and Management Plan (DRRMP) for the Sugarcane Industry" through Negotiated Procurement - Highly Technical Consultant with total contract cost of P1.2 million and three expert assistants P754,000 under the contract of service, respectively, were not in compliance with Sections 53 and Annex H of</p>	<p>We recommended that Management:</p> <p>a. Devise guidelines that would cover the monitoring of the implementation of the project such as: (a) submission of monitoring reports that would provide the status of implementation of the project to the Planning and Policy Department (SIDA PMO) (b) evaluation by the PD of the reports such that</p>	<p>The project "Formulation of Disaster Risk Reduction and Management Plan (DRRMP) for the Sugarcane Industry" was pursued by SRA in response to the COA audit observation in 2016 which recommended that the Planning and Policy Department would handle the implementation of the project.</p> <p>Because of the lean manpower of the Planning and Policy Department and the R, D &amp; E Department which is the operations group of SRA, the preparation of the</p>



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<p>the revised IRR of RA No. 9184 as:</p> <ul style="list-style-type: none"> <li>• the scope and nature of work could not be considered as individual consultant hired to do highly technical, proprietary or confidential in nature to adopt negotiated procurement</li> <li>• the procurement activities undertaken were not compliant with the procedures prescribed in revised IRR of RA. 9184 such as: <ul style="list-style-type: none"> <li>i. pre-procurement was not conducted, the ABC was not computed using the prevailing market price as required by GPM Volume 4</li> <li>ii. the eligibility and competence of the lead consultants was not evaluated by BAC</li> <li>iii. the consultant was not a member of any organizations of consultants accredited by Confederation of Filipino Consulting Organizations, Inc. (COFILCO),</li> <li>iv. the contract was signed before the SAC signed the resolution recommending the award of the Contract and before such BAC resolution was approved by the SRA Board</li> <li>v. the required postings of the Notice of Award and Notice to Proceed in the PhilGEPs was not made.</li> </ul> </li> </ul> <p>Thus, no assurance that the terms of reference of the consulting services procured was the most advantageous to the government.</p>	<p>issues/problem hampering the attainment of the target would be address on a timely manner</p> <ul style="list-style-type: none"> <li>b. Assess the documentary requirements to determine the probability of farmers' compliance to them and assist them to secure such documents, otherwise, consider revising the documentary requirements such that documents could be secured by the farmers to ensure that he is a bonafide beneficiary of the loan and had the capacity to pay the loan.</li> <li>c. Ensure compliance with P.O. 1445 to support all disbursements with complete documents and submit the lacking Appendix B of the MOA.</li> </ul>	<p>DRRMP cannot be handled alone by SRA organic personnel from both the Planning Department and R, D &amp; E Department especially that these SRA Departments were loaded and swarmed with paperwork and legworks to implement the first round of funding under the 2016 GAA as mandated by the Sugarcane Industry Development Act (SIDA).</p> <p>The hiring of a highly technical consultant and technical assistants were really a necessity taking into account the manpower complements versus the workload of the SRA to service the developmental needs of the sugarcane industry.</p> <p>This kind of consultancy procurement was the first one handled by the SRA BAC and the end user unit which is the Planning &amp; Policy Department.</p> <p>The end user unit as well as the BAC considered the procurement of the services of the Lead Consultant as <b>"Highly Technical"</b> because the nature of work cannot be done by just an ordinary government officer without training and exposure in disaster risk reduction and management. The <b>output of the project " Sugarcane DRRMP 2017-2022"</b> is policy-determining in nature because it will be the basis of future SRA policies in addressing, mitigating and adapting to future risks, disasters or calamities which may pose a danger to the sugarcane-producing provinces especially the industry farmers, workers, agricultural / industrial facilities and their households.</p> <p>The BAC has reviewed the qualifications of the Lead Consultants and Expert Assistants as submitted by the end user unit. As provided for by Section 7 (b) ii of Annex H of the Revised IRR of RA 9184 that states:</p> <p><i>"The BAC shall undertake the negotiation with the individual consultant based on the Terms of Reference prepared by the End-User. Considering the nature of the consultancy work, the negotiations need not be elaborate, it is enough that the BAC has validated that the individual is legally, technically and financially capable to undertake and fulfill the consultancy work based on the Terms of Reference. "</i></p>



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<p><i>Scope and nature of work not highly technical</i></p> <p>The formulation of Disaster Risk Reduction and Management Plan (DRRMP) for SRA is not highly technical and proprietary in nature, since the DRRMP of other government Agencies are being prepared by Agency personnel, particularly the Operations Department in coordination with the Corporate Planning Department and in consultation with the National Disaster Risk Reduction and Management Council (NDRRMC.) Moreover, consulting services for this purpose are being offered by consulting firms with specialized in management.</p> <p><i>Not confidential in nature</i></p> <p>Likewise, the activities involved and the deliverables could not be considered as confidential, since the DRRMP does not involved trade secret that would hamper the operations if disclosed to the public as the DRRMP are accessible to the stakeholders and other government agencies, and public as a whole because they are directly involved in the implementation of the Plan</p> <p><i>Not individual</i></p> <p>Moreover, the afore-mentioned consulting services could not be considered as individual consultant, since the scope of work requires the hiring of three expert assistants, whose task pertained to all the activities specified in the TOR</p> <p>Thus, SRA should have resorted to limited source bidding</p> <p>Other non-compliance</p> <ul style="list-style-type: none"> <li>• Pre-Procurement Conference was not conducted as</li> </ul>		<p>Considering that the project would be completed in a six-month duration which was a very compressed period for accomplishing the project and with the expertise of the Lead Consultant, the BAC resolved that the recommendation of the end user of P20,000 / hour is justifiable.</p> <p>The concept that the hiring involved an Individual Consultant – Highly Technical Consultant was due to her responsibility as lead and guide of the project team composed of expert assistants in crafting the strategies to come up with a DRRMP by conducting the stakeholders consultations nationwide and field visits / interviews in disaster-stricken areas to be able to come up with a realistic and industry-specific Disaster Risk Reduction and Management Plan.</p> <p>Some procedural lapses were not avoided with the intent of complying with the recommendations of COA and catching up with other activities and programs to be implemented under the 2016 GAA as mandated by SIDA.</p> <p>The SRA Management will:</p> <ul style="list-style-type: none"> <li>• require the BAC to strictly adhere with the provisions RA 9184 and its IRR</li> <li>• specifically instruct the BAC to conduct pre-procurement conference</li> <li>• require the end user to comply with the provisions on the hiring of consultancy services under the GPM Volume 4</li> <li>• Require the BAC Secretariat to strictly adhere to posting requirements and timelines under the procurement law.</li> </ul> <p>The degree of participation of Administrator Serafica and Board Member Beltran extends only as a mere witness in the execution of the document. They had no hand in the preparation of, and execution of the same. The signatures of Administrator Serafica and Board Member Beltran affixed serve no other purpose but to act as witness. It does not serve to certify any fact or stipulation indicated therein. As a matter of fact, Board Member Beltran had just taken his oath as Board Member before Department of Agriculture Secretary Piñol on 12 December 2016. As a new member of the Board, he relied in good faith on the</p>

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<p>required by Section 20 of revised IRR of RA 9184 and GPM Volume 4 to validate the readiness of the procurement and existence of the condition required by law for a negotiated procurement.</p> <ul style="list-style-type: none"> <li>• ABC was not estimated in accordance to the guidelines prescribed by GPM Volume 4 which requires that end-user must estimate the cost of consulting services through cost research in the local market.</li> <li>• The basic rates represent the salaries actually being received by the professional staff from the consulting firm.Xx x. In determining the basic rates the following must be considered as bases: (a) salary history, (b) industry rates and (c) 200% of the equivalent rate in the procuring entity as the floor.</li> </ul> <p>According to Management, the Lead Consultant fee was based on the UNDP rate of P20,000/hour. This is not in conformance with the GPM that require local prevailing price being offered by other consulting services firm/individual consultant be the basis of the compensation rate which the BAC/end user did not obtain. The rate of P20,000 per hour for 60 hours (January to June 2017 or an average of 10 hours per month) or P1,200,000 for the period of six months when compared to the salary of Director IV (salary grade 28 step 8) P87,993 + P9,000 (transportation allowance) in 2016 or equivalent of P551.10 per hour, is 36 times or 3,600% higher.</p> <p><i>Non-evaluation of the BAC of the competency/expertise and eligibility of the Consultant</i></p> <ul style="list-style-type: none"> <li>• Review of the BAC Resolution No. 31, disclosed that upon the recommendation and justification of the end-user, Manager, Planning and Policy Department, the BAC in its</li> </ul>		<p>recommendations of his subordinates in serving as a witness to the execution of the document. For the same reason, then Board Member and now Administrator Serafica signed the document as witness- in reliance in good faith on the recommendations of his subordinates.</p>



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<p>meeting conducted on December 6 and 9, 2016 agreed that the consultant shall be hired through the Alternative methods of Procurement as Highly Technical Consultant under the negotiated Procurement Method and the three projects assistants will be hired in accordance with DA Administrative Order No. 5 series of 2012 with rate of P20,000/hour for 60 hours of service for consultant and P52,000/month for the three expert assistant.</p> <ul style="list-style-type: none"> <li>The BAC Resolution, however did not mention that the BAC evaluated the eligibility qualification, training and education and relevant experience to render the consultancy services which was also confirmed in the Minutes of BAC meeting.</li> </ul> <p><i>Signing of the Contract before the BAG Resolution was signed and issued and before the SRA Board Resolution was signed and issued:</i></p> <p>Date Contract was signed: December 17, 2016            Date BAC Resolution December 21, 2016            Date of NIA Board Certificate December 27, 2016</p> <ul style="list-style-type: none"> <li>Although the procurement of the contract was discussed in the BAC meeting held on December 6 and 8, 2016, the document that would prove the recommendation of the BAC to the HOPE was the BAC Resolution duly signed by the members of the BAC and approved by the Administrator.</li> <li>Although the board meeting conducted on December 16, 2016 resolved the awarding of the Contract, the recommendation of the BAC that should have been the basis of the Board in approving the BAC Resolution was not submitted to SRA Board.</li> </ul>		

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<p>The consulting services procurement is considered to be Illegal Expenditures as enumerated in Annex B of the COA Circular 2012-003 Updated Guidelines for the Prevention and Disallowance of Irregular, unnecessary, excessive, extravagant or unconscionable expenditures which states that:</p> <p><i>Cases that are considered Illegal Expenditures or use of government funds and Property:</i></p> <ol style="list-style-type: none"> <li>1. <i>Payment of claims under a contract awarded not strictly in accordance with the procedures prescribed under Republic Act No. 9184 and its Revised Implementing Rules and Regulations (IRR):</i></li> </ol> <p><b>1.1 XXX</b></p> <ol style="list-style-type: none"> <li>1.2 <i>For contracts awarded under an alternative mode of procurement for items that should have undergone complete public bidding process and eventually resulted in overpricing.</i></li> </ol>		
<p>8. SRA paid per diem SRA Board of Directors amounting to P816,000 for the year applying the suspended new rates prescribed in GCG Memorandum Circular No. 2016-01 which provides the classification of GOCCs by overall size and the maximum rates of per diems in the enforcement of the Compensation and Position Classification System (CPCS) for Government-Owned and Control Corporations (GOCCs) under Executive Order(EO) No. 203 despite issuance of EO No. 36 suspending the CPCS under EO No. 203, thus resulting in overpayment of P490,000.</p> <p>The old rate per No. 24 for SRA which belongs to D corporation classification is maximum of P10,000 per Board Meeting and</p>	<p>We recommended that Management strictly comply with E.O. No. 36 suspending the CPCS and GCG Memorandum Circular (MC) No. 2017-03 and pay the per diem of the Board of Directors based on the old rate prescribed in EO No. 24 and require from the BOD the refund of excess payment in the total amount of P490,000.</p>	<ol style="list-style-type: none"> <li>1. SRA will clarify the status of CPCS application before the suspension, as SRA compliance thereto may at least justify the payments made to the directors.</li> <li>2. For the time being above issues are being clarified/fully settled, SRA shall cause the payment of only the prescribed rate under EO 24.</li> </ol>



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<p>P6,000 per Committee meeting while the new rates per GCG MC 2016-01 for SRA classified as Grade 17 GCG are P20,000 per Board Meeting and P12,000 per committee meeting.</p> <p>In our query with the GCG relative to SRA's payment of per diem using the new rates, GCG's reply in its letter dated April 9, 2018 stated that <i>SRA cannot implement the rates provided under Section 9 of GCG MC No. 2016-01.</i></p> <p>The said letter further stated that:</p> <p><i>Item 8 of MC No. 2016-01 provides that "for purposes of establishing their appropriate DCS ( Directors Compensation System), GOCCs shall be classified by their Overall Size based on the Official Classification they receive from GCG in the enforcement of the Compensation and Position and Classification System (CPCS) for GOCCs" ( Emphasis supplied). Item 9 therein further states that the maximum per diem which Appointive Directors may receive shall be based on the GOCC's Overall Size.</i></p> <p><i>It can be gleaned from the foregoing provisions that the application of the rates provided under GCG MC. No. 2016- 01 is premised on the enforcement of the CPCS. Although the GCG issued SRA's Business unit (BU) Grade through letter dated May 2, 2016, it is noteworthy that the implementation of GCG MC No. 2016-01 is contingent on the approval of SRA's Total Compensations Framework (TCF) and Index of Occupational Services (/OS) by the Office of the President. However, SRA has not obtained such approval.</i></p> <p>Further, it is also worth noting that E.O. 36, s. 2017, has already <u>suspended</u> the CPCS under E.O. No. 203,s. 2016, and such suspension persists as of this writing.</p>		

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<p>Based on the foregoing, it is clear that the SRA <u>cannot</u> implement the rates prescribed under GCG M.C 2016-01.</p> <p>Payment of per diem using the suspended new rates based on the suspended CPCS resulted in overpayment of 490,000.</p>		
<p>9. Pertinent provisions of COA Circular Nos. 97-002 and 2006-005 dated February 10, 1997 and July 13, 2006, respectively were not observed in the grant of cash advances to eighteen officers and employees of the Sugar Regulatory Administration (SRA) totalling to P1.328 million cash advances were granted to: (a) officers and employees that were not duly designated as disbursing officer and are not bonded, (b) to a co-terminus employee; and excessive amounts were granted resulting in unutilized CA ranging from 46 per cent to 85. Thus, exposing the funds to possible misuse and loss. Moreover, liquidation of cash advances were not supported with complete and appropriate documents while some procurement using the CA were not compliant with the 2016 Revised IRR of RA 9184 as quotations from three suppliers were not obtained for vehicle rental, thus the propriety of the disbursement made was not established.</p> <p><i>Inappropriate documentations supporting the liquidation</i></p> <ul style="list-style-type: none"> <li>• Purchase Orders (POs) dates were prepared after the delivery of goods purchased which was 12-92 days after the date of the OR/invoice on various purchases</li> <li>• Vehicle rentals acquired thru shopping were not duly supported with rental contract and canvass/price quotation from at least three companies pursuant</li> </ul>	<p>We recommended that Management require the Accounting Division to:</p> <ol style="list-style-type: none"> <li>a. Strictly comply with the provisions of said COA Circulars relative to the grant and liquidation of cash advances for control purposes specifically:               <ol style="list-style-type: none"> <li>i. Designation of the permanent employee as disbursing officer</li> <li>ii. Bonding of Accountable Officers</li> <li>iii. Conscientiously estimate the amount cash advance</li> </ol> </li> <li>b. Strictly comply with 2016 Revised IRR of RA 9184 on the procurement of goods using cash advances; and</li> <li>c. Strictly comply with the documentary requirements prescribed by COA Circular 2012-001 for all the disbursements made; and</li> <li>d. Submit the lacking supporting documents for audit of the propriety of the disbursements made.</li> </ol>	<ol style="list-style-type: none"> <li>1. Prior to the last year's COA-SRA Exit Conference for the CY 2016 Annual Audit Report, SRA was religiously and consistently complied the provisions of COA Circular No. 97-002 dated February 10, 1997 and COA Circular No. 2006-005 and July 13, 2006.</li> <li>2. Only then when the last year's COA-SRA Exit Conference was held, it was made mentioned by COA Director Tuazon that <b><u>one-time cash advance for a one-time program/project/activity</u></b> can be granted to a non-bonded officers and employees. The minutes of the last year's exist conference can confirm or attest with the statement or advice of the latter. The discussion of the issue came into a particular instance when the problems of SRA in terms of limited number of bonded officers where some of the cash advances by a bonded officer were transferred to non-bonded officers for the implementation of the program/project/activity. Thus, SRA has implemented the advice in order to ease the conditions of the bonded officers, and to fast track the implementation of the program/ especially all the Sugarcane Industry Development Act (SIDA) projects/activities.</li> <li>3. The Accounting Division/Units, and Budget and Treasury Units of both SRA – Quezon City and Bacolod City Office will be instructed through a Memorandum to strictly comply with the provisions of COA Circular No. 97-002 dated February 10, 1997 and COA Circular No. 2006-005 and July 13, 2006 for control purposes.</li> <li>4. Through a Memorandum, non-bonded Cash Disbursing Officers as contained</li> </ol>



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<ul style="list-style-type: none"> <li>• The honorarium paid to four resource speakers (RS) from other government agencies ranging from P3,000 to P10,000 were not supported with computation showing the salary of the RS and the rate prescribed in the DBM Circular No. 2007-01</li> <li>• No supporting certified list of participants on various trainings/seminars</li> <li>• Transportation allowances given to farmer attendees on Capacity Building Seminar were not duly supported with payroll indicating the receipt of the TA by the farmers</li> <li>• Expenses on gasoline were not duly supported with approved trip tickets</li> </ul>		<p>or enumerated on the list will be required to observe properly the provisions of the 2016 Revised IRR of RA 9184 on the procurement of goods and submit complete supporting documents on the payment of honorarium.</p> <ol style="list-style-type: none"> <li>5. SRA will now stop the granting of cash advances to Non-bonded Officers and Employees, and Co-terminus employees.</li> <li>6. SRA will increase the number of the bonded officers to accommodate the voluminous cash advance request for the fast implementation of the SIDA programs, projects and activities.</li> <li>7. All disbursement vouchers pertaining to these cash advances will be retrieved, reviewed and re-audited. Any lacking required supporting documents as far as RA 9184 compliance is concerned shall be completed.</li> </ol>
<p><b>10. Weak control was observed in the collections of liens as the (a) segregation of duties was not in place, an SRA representative in a Mill District both perform the verification of the correctness of liens to be collected as reflected in the SRO and perform the collection (b) absence of monitoring and review of the Raw Sugar Release Order (RSRO) verified by the SRA representative against the source document Quedan</b></p> <p>Section 3 of the SRA Memorandum Circular no. 1 series of 2011 Strengthening the Financial Monitoring Systems (FMS) of the Sugar Quedan Fees -Stabilization Fee (SF), Special Milling Fee (SMF) and Milling Permit Fee (MPF): A revised and an Enhanced Policies, Rules and Procedures provides control to ensure accounting of accountable forms to prevent misuse of the accountable forms. Budget/Treasury Division:</p>	<p>We recommended that Management:</p> <ol style="list-style-type: none"> <li>1. Consider revising the guidelines to include review at a higher level of the verification made by the SPRO and request submission of copy of the Quedan Instruments and consider the utilization of third party payment facility to handle the collection</li> <li>2. Instruct the concerned department to monitor the collection of liens to determine the reason for the decrease in income.</li> </ol>	<p>The SRA's Regulation Department, in coordination with the Internal Audit Department, our monitoring unit over the collections/remittances of SRA liens, respectfully submit, thru this Office, their joint rejoinder to the above COA observation as propounded hereunder:</p> <ol style="list-style-type: none"> <li>1. The actual raw sugar produced to Crop Year 2016-2017 is 2.5M MT or 200,000MT higher than the Crop Year 2015-2016 production of 2.30M MT. The Crop Year starts at September 1, of the current year and ends at August 31, of the incoming year.</li> <li>2. Even if raw sugar production is taken or analyzed on a calendar year basis (2016 vs. 2017), the raw sugar production for 2017 (49.38M bags) would still be higher by 5.23M bags than that of 2016 (44.15M bags), thus presupposing a higher collection of monitoring fee on raw sugar for 2017 over that of 2016 at a constant rate of P2.00/Lkg raw.</li> <li>3. The SRA Accounting Department, when asked to explain the</li> </ol>



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<ul style="list-style-type: none"> <li>• Maintenance of control logbook to serve as record of all Official receipt issued to (Sugar Production Regulations Officers) SPRO</li> <li>• Conduct of regular inventory of the OR issued, checking and reconciliation of records for monitoring of their issuances and actual utilization</li> </ul> <p>The control over the correctness of the reported liens in the Sugar Release Order (SRO) which was prepared by the miller and verified by the SPRO against the Sugar Quedan Instrument was not provided in the guidelines.</p> <p>While the SPRO checks the SRO against the Quedan Instruments which were both prepared by the Miller, the review of the verification made by the SPRO who are officially assigned at the sugar mills was not included in the procedures since the Quedan instruments and reports on the checking of the proper sequencing of the quedan was not submitted for review and checking. The Accounting Division based its recording on the report of collection and deposits supported with deposit slips, copy of the SRO and copy of the OR.</p>		<p>discrepancy in income collection, came out with explanation that P14.265M (net) representing CLEARANCES FEE-Raw Sugar was taken up as MONITORING FEE-Raw Sugar for the year 2016, erroneously marking up the value of this income to P102.568M, way above the 2017 actual income (solely due to Monitoring Fee-Raw Sugar) of P98.777M.</p> <ol style="list-style-type: none"> <li>4. Correcting and adjusting the entry error, the SRA Accountant certified a positive growth rate of 12% (P10.474M) of MF-raw sugar collection for 2017 vis-à-vis 2016. (Annex A)</li> <li>5. On the issue of loose monitoring system of SRA liens collection, which probably stemmed from above observation, we further present the Regulation Department and IAD's activities propounded hereunder.</li> </ol> <p>For purposes of audit simplification in handling of what could have been a voluminous submission, the IAD has devised an "Audit Tool" called "<b>Annex A</b>" (see Appendix A).</p> <p>The Annex A is submitted by every collecting Regulation Officers to SRED, which forwards to IAD with the following additional documents:</p> <ol style="list-style-type: none"> <li>1. <b>Unified Cash Receipts and Deposit Reports (UCRRDR)</b>  Summarizing the weekly collection/remittance, with corresponding OR Number, and Deposit slips which can be verified with SRED file.</li> <li>2. <b>Weekly Sugar Monitoring System (SMS) for Raw and Refined Sugar</b>  This document prepared by the mill and validated by Regulation officer, tabulates the weekly sugar withdrawal (This Week column) and the running balance of sugar withdrawn (To-date column).</li> </ol>